

Message Text

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SUBJECT: YUGOSLAV OIL IMPORTS FROM USSR EXPECTED TO DECLINE

REF : MOSCOW 15269 & 15508

1. SOCIAL PLANNING COMMITTEE OFFICIALS TELL US THAT YUGOSLAV OIL CONSUMPTION IN 1975 PROJECTED AT ABOUT 12 MILLION METRIC TONS. WITH DOMESTIC PRODUCTION EXPECTED TO INCREASE BY 15 PERCENT TO 3.7 MILLION TONS, CURRENT STOCKS HIGH, AND (MODERATE) CONSERVATION MEASURES IN EFFECT, IMPORTS ARE TO BE HELD TO 7/5 MILLION TON LEVEL OR SLIGHTLY ABOVE.

2. ACCORDING TO SENIOR ECONOMIC OFFICIAL IN FOREIGN SECRETARIAT, ONLY ABOUT ONE-FOURTH OF IMPORTS, "OR MAXIMUM OF TWO MILLION TONS" WILL COME FROM SOVIET UNION, DUE TO HIGH PRICE. SOVIETS CHARGED \$12 PER BARREL THIS YEAR, OFFICIAL SAID, AND ARE CONFRONTING YUGOSLAVS WITH FURTHER SUBSTANTIAL PRICE HIKE IN DISCUSSIONS NOW
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TAKING PLACE. YUGOSLAVIA WONT BUY MUCH LIBYAN OIL EITHER, DUE

TO EXORBITANT PRICE, SOURCE CONTINUED, AND "IS DISCOVERING THAT INTERNATIONAL OIL COMPANIES ARE OFFERING BY FAR BEST DEAL." IN 1974, HE SAID, "MANY BAD OIL DEALS WERE MADE," CONTRIBUTING MEANINGFULLY TO COUNTRY'S EXCESSIVE TRADE DEFICIT.

3. COMMENT: PROJECTED CUTBACK IN OIL IMPORTS REFLECTS PRIORITY EFFORT TO REDUCE BALANCE OF PAYMENTS DEFICIT. WHILE OVERALL OIL PURCHASES ABROAD WILL BE MODERATELY LOWER THAN IN 1973 AND 1974, SOVIET SHIPMENTS ARE APPARENTLY TO DECLINE SIGNIFICANTLY. THESE TOTALLED 2.3 MILLION TONS IN 1973, AND (ACCORDING TO LATEST AVAILABLE ESTIMATES) 2.4-2.5 MILLION TONS IN 1974. BASED ON CURRENT YEAR EXPERIENCE, YUGOSLAV-SOVIET OIL NEGOTIATIONS MAY WELL BE PROTRACTED AND DIFFICULT, WITH AGREEMENT REACHED ONLY IN EARLY SPRING. NEGOTIATIONS NOW TAKING PLACE IN BAGHDAD WILL PROVIDE INDICATION WHETHER YUGOSLAV EXPECTATIONS FOR VERY SIZEABLE 1975 INCREASE IN OIL IMPORTS FROM IRAQ (TO AS MUCH AS 5 MILLION TONS, ACCORDING TO ONE TANJUG ACCOUNT) CAN BE REALIZED. YUGOSLAVS WOULD HOPE TO MAKE PARTIAL PAYMENT IN CONSTRUCTION SERVICES.
TOON

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